OURRENCY.

The Annual Report of Comptroller Hulburd-The State of Our National Banks.

The following are the material portions of the annual report of the Comptrol er of the Currency, which was presented to Congress at noon to-day :-OFFICE OF THE COMPTROLLER OF THE CURRENCY, WASHINGTON, NOVember 10, 1869.—Sir:—In compliance with the provisions of section 61 of the national ance with the provisions of section of of the national currency act, I have the honor to present, through yes, to the Congress of the United States, the following report:

Since the last annual report nine national banks have been organized, of which eight are new associations, and one a conversion from a State bank, making the total number organized up to October,

1869, sixteen hundred and ninety-four.

11A table exhibiting the number of banks, with the amount of capital, bonds deposited, and circulation, in each State and Territory, on the 30th of September, 1869, will be found on the first page of the appendix to this report. [The material positions are

Notes in Circulation. The following statement exhibits the number and

September 50, 1869 :-	No. of Notes,	Amount
ONES	At of Autes,	Ammin
ones.	9,589,160	\$3,589,160.90
matted		994,013-03
Redeemed	904,018	
Dutstanding	8,685,147	8,655,147 00
TWOS.	STATE OF THE	99R L
Insued	3,209,388	6,418,776.00
Redeemed		464,448 00
		E DE L DOUGLAS
outstanding	2,011,101	5,954,328-00
	23,676,760	118,883,600 00
Redeemed	985,940	4,929,700.00
redeemed	200,040	4,000,100.00
outstanding	22,600,520	113,454,100-00
TENS.	177	
mirrord	8,094,645	80,946,450 00
Redeemed	272,495	2,724,950.00
ntstanding		78,221,500:00
	218881000	
TWENTIES.	DECEMBER OWNERS	TO REPORT OF THE PARTY OF THE P
ssued	2,269,764	45,895,289-50
tedeemed	71,655	1,433,100.00
outstanding	2,198,109	43,962,180.00
	ALC: NO.	100000
FIFTIES.		
ssued	363,523	18,176,150.00
ledcemed	22,859	1,442,950-00
etetanding	884,664	16,783,200.00
manual miles	en alone	10,100,200 00
ONE HUNDREDS.	TO SHOW I WAS A ST	Charles of the Association of the Control of the Co
sauce	274,799	27,479,900 00
eseemed	25,968	2,596,800.00
etstanding	248,831	24,883,100.00
FIVE HUNDREDS.	No. of Concession,	
BEUCG.	13,668	6,834,000*00
ledeemed	2,585	
eneral current contract contra	2,000	1,292,500 00
btstanding	11,088	5,541,500.00
ONE THOUSANDS.	4.769	a Mate alession
mened	4.108	4,769,000-00
redremed	9,415	2,415,000.00
Outstanding	2,354	2,354,000 00
	-	
rotal amount of all de-		

tions of which have 840:45 Total \$209,750,00045
The following statement shows the amounts and kinds of United States bonds held by the Treasurer \$209,752,000 45 of the United States to secure the redemption of the circulating notes of national banks on the 30th

299,789,055-00

nominations outstand ing on the 30th day of

September, 1869.....

notes outstanding, lost, or destroyed, por-

day of September, 1869:—
Registered bonds, act of June 14, 1858.
Registered bonds, act of June 22, 1860.
Registered bonds, act of Feb. 8, 1861.
Coupon bonds, act of March 2, 1861.
Registered bonds, act of July 17 and Aug.
5, 1861. \$675,000 3,491,000 Coupon bonds, act of Feb. 25, 1862. Registered bonds, act of March 3, 1863. Registered bonds, act of March 3, 1864, 5 83,845,900 per cent. Coupon bonds, act of March 3, 1864, 5 per 91,579,450 Registered bonds, act of March 3, 1864, 6 per cent. Registered bonds, act of June 30, 1864.... Registered bonds, acts of Juny 1, 1862, and 18,523,000 July 2, 1864. Registered bonds, act of March 2, 1865, 1st Registered bonds, act of March 3, 1865, 2d Registered bonds, act of March 3, 1866, 3d 2,678,450 Registered bonds, act of March 3, 1865, 4th

..\$342,475,100 In my report for 1867, I called the attention of Congress to the fact that, in several instances, notes prepared in the usual manner for issue to national banks had been purioined from this office. Two amounts larger than the rest were mentioned, to wit: \$4500 in fifty and one hundred dollar notes of the National City Bank of Lynn, Massachusetts, and \$12,000 in fifty and one hundred dollar notes of the First National Bank of Jersey City, in addition to which several thefts of a single sheet had occurred. making in all \$17,560. Suspicion at that time was directed to a colored man, who had been employed in the office from the time of its organization, in a confidential capacity, and who was then under arrest. The evidence against him, though very strong, was not considered to be conclusive, and it was thought best not to bring the case to trial at once, but to wait and see what additional testimony might be developed by the inpse of time. During the past year efforts made by the guilty party to avail him-self of the stolen notes furnishing conclusive proof of his guilt, he was tried in the criminal court of the in arrest of judgment was granted by the court for some defect in the indictment, and the criminal was discharged; he was at once rearrested on seve-ral other charges, and is now awaiting his trial on new indictments. Only about \$1400 of the stolen notes have been recovered, and it is a serious question whether provision should not be made for the payment of these stolen notes when found in the hands of innocent holders. Their similarity to the genuine issues of the same and other national and the difficulty to any but the most expert and skilful in recognizing the forged signa-tures, make it impossible for the great majority of those who may handle money to distinguish the spurious from the genuine issues. The subject by respectfully submitted to the consideration of Con-

Reports. Under the act of Congress of March 3, 1869, three reports have been called for. The first call was made Tuesday, April 20, for a report showing the condition of the banks at the close of business on the previous Saturday, April 17.
The second call was made June 15, for a report

showing the condition of the banks on Saturday, the 12th of June.

The third call was made October 13, for a report showing the condition of the banks on the 9th of

The first report showed a larger number of banks than usual deficient in their reserve of lawful money,

but generally in small amounts. The second and third reports successively exhibited an improvement in this respect; and as they are regarded as setting forth the actual working condition of the banks, without manipulation or preparation, the results are far more valuable and gratifying. In fact, the two cvils most complained of under the former system of reports, to wit, pre-vious preparation on the part of the banks, and the opportunity afforded to speculators to manipulate the money market, have been almost entirely done away with. The banks habitually keep themselves idition, as a rule are less extended, and have more complete control of their affairs. If carry out this policy a little more thoroughly they will be less at the mercy of the borrowers, will be better able to protect the legitimate interests of their customers, and better entitled to the fostering care

of the Government. Liquidation.

As the law now stands, a bank may, by a vote of the shareholders owning two-thirds of its stock, go into 'liquidation and close up its affairs. After the expiration of one year from the publication of notice to its bill-holders and creditors, required by the statute, it may deposit with the ceasurer of the s'nited States legal-tender notes for its outstanding circulation, and take up the bonds

held as security therefor.

This section was undoubtedly intended to provide for the winding up of banks under the ordinary conditions incident to specie payments. The natural

now of notes to the place of their issue, when banks now of no'es to the place of their issue, when banks are raying specie, would cause a large portion of them to be redecimed during the year; and if the bank is solvent, and in good faith endeavoring to close up its adairs, the most of its creditors would probably be paid by the expiration of that period. So that, supposing the liquidation to have progressed so far that the bank is ready to distribute its capital among its stockholders, the law provides the manner in which the liquidation shall be completed, and the shareholders discharged from all further liability of account of its circuming notes, within a reasonable time.

It is respectfully recommended that Congress should gass an act in one section, unconnected with

should pass an act in one section, unconnected with any other subject, requiring all banks that go in liquidation to deposit legal-tender notes for their outstanding circulation, and take up their bonds deposited with the Treasurer of the United States as security for such circulation, within sixty days from the date of the vote of the shareholders to go into liquidation.

Method of Collecting United States Taxes. Section 41 of the national banking law provides for Section 41 of the national backing law provines for taxing the circulation, deposits, and capital not invested in United States bonds, of national banks. The banks are required to report and pay these taxes semi-annually to the Treasurer of the United States. This they have done regularly since their organization, paying the Treasury several millions every year, without trouble, and without expense to the Government.

Under the internal revenue law they are required to pay a special tax, and a dividend tax ho the collectors of the several districts in which they are located.

It is recommended that all taxes imposed on national banks by the United States be made returnable and payable to the Treasurer of the United States, in the same manner that the larger portion of them now are

This change would avoid confusion, save expense and trouble, collect the taxes more promptly, and probably more thoroughly, and place the whole business under the supervision of one officer, by which means, also, all information on the subject would be concentrated in one office, and so be more

Sound Currency. The currency constitutes a very important part of the financial sytem of any country. Without a sound currency, a healthy financial condition is impossible. There are two requisites to a sound currency—convertibility and clasticity—and either of the two involves the other. The present currency of the United States possesses neither of these requisites. During the past year it has neither increased nor diminished, but stands about as it did this time last year—\$390,000,000 issued by the Government and \$300,000,000 issued by the Government and \$300,000,000 issued by the covertible into anything more valuable, and nor convertible into anything more valuable, and therefore not susceptible of reduction by any ordi-nary process; each issued to the full limit allowed law, with no power of expansion. The hole amount must be employed, whether it wanted or not, and the limit cannot be exceeded, no matter how urgently more may be required. During the summer months, when there is rest in almost all branches of trade, the whole circulation was in market seeking employment; and now that autumn has come, with its bounteous harvests when the farmer seeks to realize in money the reward of his labor and the interest of his capital for the whole year, when hundreds of millions must be distributed throughout the length and breadth of the land, we have the same unvarying amount of cur-

rency to use.

There are two kinds of currency in use: one issued directly by the Government; the other issued by the banks. One kind would seem to be enough. The best should be preserved and perfected; the other

withdrawn.

Applying the test first to the Government issues, it is noted at once that they are not redeemable, and that no provision has ever been made for that purpose. The very moment they are made redeemable, they will cease to answer the purposes of currency; for, after they are redeemed, they are in the treasury and cannot again be paid out, except upon appropriations made by law, in accordance with the constitutional provision, and consequently cannot again be put in circulation, except as disbursements may be necessary to pay expenses and debts of the Gov-ernment. So that Government circulation is not convertible, and therefore is not clastic, and cannot be made so without first making a radical change in the organization of the United States treasury, by which it should be converted into a huge banking institution calculated to receive deposits, make loans, and otherwise perform the functions of a

national bank.

The notes issued by national banks are nominally redeemable; and, if the legal-tender notes were out of the way, would be actually so, and being issued by institutions in sympathy with trade, would contract and expand in opedience to the law of supply and demand, so that they would also possess the element of ele element of elasticity.

As to the comparative merits of the two

As to the comparative merits of the two kinds of currency, an impartial consideration would probably decide in favor of a bank circulation, principally because it would possess the power of adapting itself to the exigencies of trade. If Government issues could be made to possess the same power of adaptation, the verdict would be in their favor. A candid investigation, however, cannot fall to develop the fart that there is no branch of the fiscal service adequate to the direct issue and care of such a currency as the country requires. The treasury system is so arbicountry requires. The treasury system is so arbi-trary in its collections and disbursements, so little in trary in its collections and disbursements, so little in harmony with the business interests of the community, that it frequently absorbs large amounts of currency at most inopportune seasons, and disburses them with just as little regard to the wants of trade. If the Treasury were redeeming its issues, large amounts would be presented for payment when money was plenty; but, as the return of this money to the channels of trade would depend upon the disbursements of the Government, there could be no certainty that it would find its way back again when needed. In fact the current back again when needed. In fact, the current operations of the Treasury of the United States are regarded by business men as constituting are regarded by business men as constituting a powerful, and at the same time a very uncertain element, difficult to estimate, but which must necessarily be taken into consideration in all their business transactions. It is but fustice however, to say that the inconveniences and defects inherent in the present system have been obviated as far as possible by the present administration of the department, and where they could not be obviated entirely, they have been reduced to a mini-

So long, therefore, as the collection of the revenues is liable to be a process of inflation, the agencies through which collections and disbursements are effected cannot be regarded as suitable agencies for

arnishing a sound currency to the people.

The argument that the Government should furnish he currency in order that it may realize the profit ipon its circulation is a common one, but will not lear scrutiny. There is no profit to the Government on the circulation of an inferior currency. Only a sound currency will promote the material prosperity of the people; and the Government can realize no profit from anything detrimental to their interests, As a currency, therefore, Government issues are not profitable. As a loan without interest they are equally unprofitable, because they are injurious to the national credit, and add enormously to the expense

of the Government.

If, however, it is impossible for the Governmen comply with the conditions necessary in order to rnish a sound currency, it can at least provide for he withdrawal of its own notes, and prescribe the onditions upon which, and the agencies through which, a better currency may be provided. As before stated, there should be but one paper currency in the country, and that should emanate from a source that is influenced by and is amenable to the laws of trade. No check or limitation should be imposed upon it other than the law of supply and demand.

Free Banking.

The banking system now in operation under the act of Congress is doubtless an improvement upon the condition of things that prevailed prior to its inauguration. It may have imperfectives, but most of them can be traced to the cycle of an irredeemable arrency. Abuses of various kinds are practised, or tolerated, during a suspension of specie payments, that would disappear of themselves in a healther financial atmosphere; and as observation and experience bring to light defects, they may be corrected by indicated the species of t judicious legislation. Any radical changes now would affect so many and such great interests, that it would be safer and wiser to build upon and im-prove the present system, so as to bring it fully up o the requirements of the age and the country, than o undertake to build up a new one. It may be made the means of supplying a safe, convertible, and clastic currency in any volume that may be required by the business of the country,

No human intelligence can fix the amount of cur-rency that is really needed, for it is continually vary-ing and is never fixed. If Congress limits the amount, there will always be th satisfied, and who will seek legislation either for the purposes of contraction or expansion. And so long as the volume of currency depends upon legislative enactment, uncertainty and instability will peryade

all financial operations.

The entire South and many portions of the West are very much in need of the facilities and advan-tages to be derived from properly organized banking institutions, and their necessities would justify them in deliberately adopting measures to supply their wants, the direct tendency of which would be to hasten the return of specie payments in the manner indicated, to wit, by the increase of bank notes and the absorption of the legal-tender notes. As the former increased, the latter would diminish. As iawful money became scarce, its vatue would be enhanced, and would gradually approximate to par with gold. Thus specie payments may be reached through the agency of the national banks, and by the operation of natural causes. The process will not be rapid or spasmodic, because it will, in all its stages and in all its details, be governed by sound principles and conform to be governed by sound principles and conform to established laws. At the same time, the benefits and advantages of the national banking system

would gradually become more equally diffused, until all sections would at length get their just and equal share, apportioned beyond cavil or objection, because regulated by the actual requirements of busi-

While free banking may thus be established with While free banking may thus be established with safety, anterior to specie payments, conditioned only upon the withdrawal and cancellation of a legal-tender dollar for every dollar of bank currency issued, free banking upon a specie basis may also be permitted, with equal safety and without delay. With details properly adjusted, banks may be established with authority to issue and put in circulation gold notes—limiting the amount only by the ability of the banks to comply with the necessary conditions, and to redeem their issues. Some provision of this kind is probably necessary in order to supply the Pacific and gold-producing States with a paper currency. A circulating medium, order to supply the Pacific and gold-producing States with a paper currency. A circulating medium, cheaper and more convenient than coin, has long been a necessity in those States, and would undoubtedly do much to promote activity, enterprise, and development. Experience has demonstrated to them that a currency composed exclusively of specie is not exempt from the ductuations to which money and trade everywhere are subject, and has awakened an anxiety on the subject which may lead to the introduction of paper money, if the opportunity is afforded. nity is afforded.

By the establishment of banks on a specie basis,

the resumption of specie payments is only anticipated; and familiarity with gold values will do much to relieve the subject of the mystery with which it is associated in the minds of many. Looking forward to the day when uniform values shall again prevail. it may be that, by wise legislation now, a banking system can be established, truly national in its character and scope, which will furnish a sound eurrency of uniform value in every State of the Union. Respectfully submitted.

HILAND R. HULBURD, Comptroller of the Currency

Hon. George S. Boutwell,
Secretary of the Treasury.
The following statement shows the number of banks, amount of capital, and circulation in each State and Territory, on the 30th of September, 1869:—

STATES AND TERRI- TORIES.	Banka in Operation	Capital paid	In actual cir- culation,
Maire	-61	\$9,185,000.00	87,509,196-00
New Hampshire	41	4,835,000:00	4,281,195 60
Vermont.	40	6,810,012:50	5,751,720-00
Massachusetts	206	85,082,000:00	57,046,930-00
Rhode Island	62-	20,864,800 00	12,486,000 00
Connecticut	81	24,606,820.00	17,433,978 00
New York	204	116,284,941 00	68,553,175.00
New Jersey	54	11,565,350.00	9,407,115 00
Pennsylvania	197	50,235,390.00	38,748,606-00
Maryland	31	12,720,202 50	8,910,880 00
Delaware	11	1,428,185.00	1,197,625 00
District Columbia.	4	1,850,000.00	1,099,571 00
Virginia	17	2,623,800-00	2,134,980,00
West Virginia	14	2,216,400,00	1,988,050 00
Ohio	132	22,954,700 00	18,405,385 00
Indiana	68	12,902,000.00	11,017,627 00
Illinois	84	12,570,000 00	9,950,275.00
Michigap,	41	5,460,010:06	8,824,755 00
Wisconsin	34	2,760,000.00	2,508,102.00
Iowa	-43	4,017,000 00	3,217,077 00
Minnesota	17	1,840,009:00	1,548,900 00
Kansas	- 5	400,000 00	341,000 00
Missouri	18	7.810,300.00	4,164,525 00
Kentucky	16	2,885,000 00	2,366,720 00
Tennessee	18	2,015,300.00	1,191,551 00
Louisiana	2	1,300,000 00	1,094,589 00
Mississippi			53,383 00
Nebraska	4.	450,000 00	170,000 10
Colorado	3	350,000-00	252,000 00
Georgia	î	1,600,000 00	1,284,100:00
North Carolina	6	823,400.00	379,700:00
South Carolina	3	823,500:00	192,500 00
Alabama	2	400,000 00	288,647:00
Nevada	1	250,000 00	129,700 00
Oregon	1	100,000-00	88,500.00
Texas	4	525,000 00	407,535 00
Arkansas	2	200,000-00	178,900 00
Utan	1	150,000 00	135,000 00
Montana	1	100,000 00	36,000.00
IdahoFractional redemp-	1	100,000:00	68,500.00
tions			
		\$2.500 EXCESS \$2.00	8.45

Total 1620 \$432,163,611 00 \$229,789,895.45 74 banks were at that date closed or closing, in ad-

WAR.

Annual Report of Secretary Belknap The Operations of the Year-The Present Status of the Department-The Expenditures.

The following are the most material portions of the first annual report of General William M. Belknap, Secretary of War, which was sent to Congress

at noon to-day :-WAR DEPARTMENT, WASHINGTON CITY, November 20, 1869.—After the consolidation made in accordance with the act of March 3, 1869, there remained on November 1, 509 unattached officers. All of these have been assigned to duty excepting 155, who are "awaiting orders." It seems equitable and just, should a reduction be made, that officers awaiting orders by their own request, and preferring that to active duty, should have less claim for retention than those who applied for assignment. Of this class there are 130 officers. Some of them, however, had special reasons for asking to be placed on the "awaiting orders" list, which the department recognized, and which should be regarded. It is certainly fair that the consequences of redu

tion of officers should fall proportionately on cavalry, artillery, and infantry and, should Congress act in the matter, it is proper that this consideration should not be overlooked. In reference to the question of reduction. I concur with the report in recon that authority be given to retire a greater number of officers for cause than is now allowed by law-7 per

cent of the officers of the whole army.

The present maximum of the army is 52,234 enlisted men. Relying on two-thirds for actual service, the number of men is 34,822. By the plan of organization submitted in the report there would be 42,650 men. Two-thirds for actual service would be 22,550 men, below which it would not be prudent to 29,750 men, below which it would not be prudent to go, as the necessities of the country and the great extent of territory to be protected will require every man of that number.

Bureau of Military Justice.

The Judge Advocate-General reports the number of records of military courts received, reviewed, and registered, to be 14,944; number of special reports n ade, 1352. This bureau, in addition to its regular duties, has been charged with the duty of systemati-cally arranging and indexing the important state papers belonging to the offices of the late Colonel L. C. Turper, judge advocate, and Brigadier-General L. C. Baker, provost marshai, and the work is steadily progressing. Lists are also being prepared of the lines and forfeitures imposed by military courts, and cases of remission of the same,

Quartermaster's Department. The expenses of the Quartermaster's Department during the fiscal year ending June 30, 1869, were \$21.965,484.08, a reduction of fourteen and a half millions below those of the preceding fiscal year. In February, 1869, the number of civilians hired by this department exceeded ten thousand, which has since been reduced to four thousand. Five hundred line officers have done duty in the Quartermaster's Department, in addition to the officers of that esta-dishment, eighty-four in number.

The report states that the eierical force of this

office has been reduced so low by late legislation to seriously retard the public business, and to provi for the settlement of accounts, some increase in the

for the set liement of accounts, some increase in the force is necessary.

A building capable of accommodating all the bureaus of the War Department, fire-proof and secure, is much needed. Military records of great value are exposed to destruction, and are so scattered as to impede and delay the public business. The monthly rental of buildings in Washington and lots occupied by buildings owned by the United States amounted to \$4264'19, being a yearly rental of \$50,954'28.

The railway companies, to which the military rail-

The railway companies, to which the military rail road material of the Quartermaster's Departmen was sold on credit at the end of the war, incurred a debt originally of \$7.591.406. Interest has increased this amount to \$9,000,000, about one-half of which has been paid; but some railroads being in default and showing no disposition to meet their obligations. muit has been lately ordered to be brought against But few vessels have been owned by this depart-

ment during the year.

The railroads of the country, having declined to adhere to the war rates of transportation, have been paid during the fiscal year upon their general tariffs, with a classification of military supplies settled in conference at a convention of general freight agents. There have been paid for water transportation during the year 14,000,000 and for railroading during the year 14,000,000 and for railroading during the year 14,000,000. agents. There have been paid for water transportation during the year \$1,424,222.82, and for railroad transportation \$2,255,364.30. Of this amount \$933,166.21 was paid to the Pacific railroads, one-half being paid in cash, and the other half retained in the Treasury to meet the interest on the bonds guaranteed by the United States. During the year 96,000 persons, 3760 animals, and 62,000 tons of stores have been moved by water, and 60,000 persons, 14,000 animals, and 40,000 tons of stores by railroad. 27,000 tons of stores have been moved by contractors for wagon transportation. The Pacific Railroad has occupied some of the principal routes of former wagon transportation, and has saved the

Government much money in supplying the posts along its line.

Hy arrangement between the Departments of War and the Interior, supplies for the Indian service are now transported by the Quartermaster's Department on routes in the Indian Territory—the actual cost, under the contracts, being refunded to the War Department out of the appropriation of \$9,000,000 for pacification of Indians, granited April 10, 1850.

Although the amount of clothing and equipage on hand at the end of the war has been reduced by sales and issues, there still remains a stock valued at over \$42,000,000. Government much money in supplying the posts

Subsistence Department.

Subsistence Supplies for the army have been mainly procured in the large market cities of the country. The average cost of the ration at these markets has been about twenty-three cents. Efforts to procure sait means on the Pacific coast for troops stationed there have met with great success, supplies of excellent quality having been obtained at favorable prices. Tobacco, at an average monthly value of \$19,000, has been furnished to troops at cost prices, and the Freedmen's Bureau has been supplied with stores to the value of nearly \$250,000, most of which has already been paid for, and the remainder is in process of refunding at the Treasury.

Medical Department.

The current expenditures of the Medical Depart-

Medical Department.

The current expenditures of the Medical Department during the fiscal year ending June 30, 1869, were \$23,561-21; the total expenditure of that department, including "war debts" and "refundments," was \$708,365-36, and the available balance on hand at the close of the year was \$1,792,050-73.

The health of the troops has been good. Yellow fever has appeared at Key West only, and at this point there were forty-three cases and twenty-one deaths; but by the prompt removal of the troops to

deaths; but by the prompt removal of the troops to a new station the ravages of the disease were at once stopped. The total number of cases on the sick list during the year was 194,235. The average number constantly on sick report was 2367, or about 55 per cent. The number of deaths was 548, of dis-charges for disability. 1198.

5.5 per cent. The number of deaths was 54s, of discharges for disability, 112s.

The number of commissioned medical officers for duty on June 30, 1869, was 161, being an average of one medical officer to 204 men. The number of posts was 239, besides detachments and outposts. There are now two vacancies of surgeons and forty-two of assistant surgeons in the medical corps.

The experience of the past three years has shown that the present organization of the medical staff is satisfactory; but that, even were all the vacancies in it filled, it would still be barely adequate to the demands made upon it.

demands made upon it. Pay Department. The Paymaster-General presents the following Baiance in hands of paymasters at the beginning of the fiscal year July 1, 1868... \$5,981,578
Received from the Treasury during the fiscal year.

Received by paymasters from other sources, exclusive of sums transferred among themselves Accounted for as follows:-Disbursements to the regular army \$18,678,251 Disbursements to the Military Academy 185,259 Disbursements to volunteers (back pay and bounties)..... Total disbursements, Amount refunded to Treasury.

Balance in hands of paymasters June 30, 3,633,677 Total......\$42,464,770

Congress, by an act approved March 3, 1869, authorized and directed the transfer, from this office to the Second Auditor of the Treasury, of all additional bounty claims pending and unsettled on the first day of May following. After that transfer was a provided to the same provided to the same with accomplished, it became practicable to dispense with the services of additional paymasters, and they were accordingly honorably discharged. There remain now in service only the sixty regular paymasters authorized by the act for the reorganization of the army, passed July 28, 1866. This force cannot with safety be subjected to much reduction while the number of military stations shall remain as at present. The Paymaster-General states that he is confirmed

in the opinion that no system can be devised which, equal to the present one, can be made to combin the advantages of prompt payment to the troops, the safety of the public money, an accurate and immediate accountability, with the slightest preside liability to embezziement or defalcation, and with the least cost to the Government.

The disbursements for reconstruction purposes are \$2.813.03246, and the balances in hands of corrections.

\$2,613,293.46, and the balances in hands of paymasters October 2, 1:69, are \$110,643.79.

In accordance with the requirements of law, all claims for the additional bounties granted by the act of July 28, remaining in the Paymaster-General's office unsettled on the 1st of May last, were transferred to the Second Auditor of the Treasury for settlement. Of the total 'number-441,959-received, there were examined and settled by the Pay Department 440,608, leaving for transfer to the Auditor but 1351 cases, of which the major part had been examined and determined but not yet paid, for want of receipted vouchers from the claimants.

The total amount disbursed by the Pay Department for additional bounties, including those settled \$2,613,293.46, and the balances in hands of paymasters

ment for additional bountles, including th on Treasury certificates, from the beginning to the 30th June last, is \$57,229,150.

Engineer Department. The report of the Chief of Engineers gives a de-tailed account of the operations of the Engineer De-partment, and of the means required to execute the duties devolved upon it. The officers of the Corps of Engineers, aided by details from other arms of the service and a number of civil engineers, have been engaged upon the permanent national defenses survey of the lakes, river and harbor improvements, explorations and surveys, command and instruction of engineer troops, and in charge of public belidings, grounds, and works in the District of Columbia. Twenty-two officers of the corps have been doing duty in the several military divisions, departments, and districts, in the light-house establishment, and as instructors at the Military Academy.

Work has been continued on the permanent de-

fenses to the extent permitted by the small balances remaining of old appropriations. These have been ex-hausted for the most part during the year, and the works have consequently been closed up.

Ordnance Department.

The fiscal affairs of the Ordnance Department during the year ending June 30, 1869, were as follows:-Amount available from all sources...... \$18,283,813 Expenditures since June 30, 1868.... Turned into surplus fund.... In Treasury, not credited to appropriations.... In depositaries, to credit of disbursing of-

ficers, June 30, 1869. 425,529
In Treasury on June 30, 1869. 13,369,206
The expenditures of the department during the year included over \$500,000 for war claims, and about \$32,000 for cartridges made for the Navy Department and not yet paid for. Freedmen's Bureau.

The operations of this bureau have been closed, except the educational and bounty divisions, and two hospitals for freedmen. The number of officers, agents, and clerks has been reduced from nine hundred, and officers, agents. dred and one to one hundred and fifty-eight. No further reduction is practicable so long as the present operations shall continue.

The bureau has had under its care, up to June 30,

1869, 584, 178 persons. All the hospitals but two have now been closed or transferred to the civil authors ties, and one of the remaining two is about being closed. There will then remain but one, which is located in the District of Columbia, and cannot be iispensed with at present.

dispensed with at present.

The general average during the whole period of the existence of the bureau shows that about one in two hundred, or one-half of one per cent., of the freed people have been supported by the Govern-The freedmen were advised to make written con-

tracts with their employers, and have the same ex-plained and approved by a bareau officer. In a single tate more than fifty thousand such contracts were made.

The labor of the reedmen has produced nearly all the food consumed in the South, besides large amounts of rice, sugar, and tobacco for exportation, and about two million bales of cotton per year, on which were paid into the United States Treasury, during the years is66 and 1867, taxes amounting to

ore than forty millions of dollars. Much disappointment and ill-feeling were caused by the failure of the original plan to lease or sell the abandoned lands in small tracts to refugees and freedmen. Information has been published respect-ing lands under the homestead act of June 21, 1866, and some ald given to those who desired to enter them. Attention is beginning to turn in that direc-tion, and about four thousand families have already made entries and obtained homes of their own, a few instances freedmen have united in the pur-chase of farms under cultivation. They are very anxious to become land owners, and the possession

lands and homes is one of the chief means of But the most argent want is education, and more attention has been paid to this than to any other subject. In each State at least one normal school has been organized. Several chartered colleges for freed people are in operation; also a university, in the District of Columbia. In the 2118 schools under the care of the bureau,

and officially reported, the number of teachers em-ployed is 2455, and the number of pupils is 114,522. Adding those estimated in private and Sabbath schools, the number under instruction of some kind during the last year is not less than 250,000. The freed people are doing what they can for their own education, having, during the last year, paid for tuition and the construction of buildings about

The whole amount of bounties paid since April 17, 1861, when the first Treasury certificate was received, is \$5,831,418-28. The balance on deposit now fine to claimants is \$1,290,666-52. Three thousand three hundred and eleven applications for bounty are now under examination in this office, and 18,500 such claims are new on file in the Second Auditor's office awaiting actitement, and it is believed that about 20,600 claims of this kind remain to be presented.

The work of paying bounties is therefore not yet complete, and it is believed that the system now in operation should be continued.

The freedmen have been protected as far as possible from injustice. The means adopted have been conformed to the wants of different communities.

The expenses of the bureau were met the first year with the proceeds of rents, sales of crops, school taxes and futtion, and the sale of "Confederate States" property. The amount received from all these miscellaneous sources was \$1,565,645-80, and from appropriations by Congress since July, 1866, \$11,084,756, making a total of \$12,050,395-80 received from all sources. The expenditures, including the accounts of the "Department of Negro Affairs," from June 1, 1865, to August 21, 1869, have been \$1,194,028-10.

Is addition to this, subsistence, medical supplies, and quartermaster supplies, were expended, amounting in cash to \$2,320,758-72, but whose real value when transferred to the bureau was probably less than one million of dollars. Adding their original cost to the cash expended, the total expenses of the bureau was probably less than one million of dollars. Adding their original cost to the cash expended, the total expenses of the bureau have been \$13,524,816-32.

Attention is called to the recommendation of the report that the payment of bounties be continued, by this or some other agency, until all should have a reasonable time to present their claims.

Appropriations, Expenditures, and Estimates.

Appropriations, Expenditures, and Estimates. There was carried to the surplus fund June 30, 1869, the sum of \$58,239-175

Making the total expenditures Making the total expenditures. 50f the above there was expended for reconstruction purposes.

There was appropriated for the service of the War Department for the fiscal year ending June 39, 1870.

The estimated deficiencies are... \$406,420

The total estimate of military appropriations for the year ending June 30, 1871, is 34,531,031. In the foregoing estimate the amounts originally presented by the heads of bureaus have been materially reduced, and any appropriation smaller in amount than that asked for would fail to meet the processary wants of the department.

necessary wants of the department.

The following estimates are submitted separately, and are given for the consideration of Congress, as presented by the Chief of Engineers:

For fortifications.

\$4,196,400
For rivers and harbors.

7,961,900

Which has been reduced, in the estimate presented herewith, to

NAVY. THE

Report of Secretary Robeson -The Operations of the Year and Present Status of Our Navy.

The following are the most material portions of the annual report of General George M. Robeson, Secretary of the Navy, which was transmitted to Congress at noon to-day:-

Congress at noon to-day:—

The head of this department has been twice changed since the sending in of the last annual report, and the report for this year must therefore include the operations carried on during that time, as well under the superintendence of Mr. Welles (the former Secretary of the Navy), as under that of my immediate predecessor. Mr. Borie, and myself.

Of the period extending from the date of the last annual report to the coming in of the present administration, the detailed reports of the several bureaus are naturally incomplete, and I am, of course, without authoritative information of the ideas which at that time governed the operations of the department. that time governed the operations of the department. It becomes me, therefore, to speak of it only in general terms, and, showing simply the condition of the navy at the commencement of this administration, state only results as the surest test of princi-

Naval Force in March, 1869. When my immediate predecessor came into office, on the 9th day of March last, the Navy of the United States consisted of two hundred and three (203) vessels of all classes, and in every condition.

These measured one hundred and eighty-three thousand four hundred and forty-two (182,442) tons, and were calculated to carry

and were calculated to carry, when in commission, thirteen hundred and sixty-six (1366) guns, exclu sive of howitzers.

Of these ships one hundred and fifty-one (151) were wooden, and fifty-two were iron-clad or monitors. Of the wooden ships thirty-two (32) were sailing vassels; fifty-three (53) were steamers, with some auxiliary sail power; forty-four (44) were steamers,

without any efficient sail power; and twenty-two (22) were without sail power of any kind. The iron-ciads are all steamers, relying wholly on steam under all circumstances. Inadequacy of Force.

It is apparent that these means were utterly in-adequate to the ends to be attained, and that our small fleet on these stations, consisting of forty-three (43) vessels, mounting three hundred and lifty-six (356) guns, with a tonnage of forty thousand and fifty-two (40,052) tous, was too small in number, and too weak in character, force, and condition to per-form the service required by the ideas of the Gov-ernment and the expectations of our people. Cruising on the same seas and with duties not more various and extended, France has over one hundred and fifty (150) ships in commission, of a tonnage of 250,000 tons; while England has, crowded into the same area, no less than one hundred and ninety-one (191) ships, with a tonnage of 328,000 tons, with her dying squadron ready to reinforce her power whenover occasion may require.

The fleets of other nations rival, and some surpass

ours in their number, size, and charabter; and in fact, our position on the seas was maintained only by the spirited and untiring energy of our officers, and a pervading belief in the latent resources of our country and the energies of our people.

What has Since been Done. What has since been bone.

With such material in this condition, the department, at the commencement of the administration, found ascif charged with the duty or maintaining the naval power of the Government in every part of the world; required to protect, on every sea, the interests of the dominant and responsible nation of the Western Continent, whose boundaries stretch to the shores of either ocean, whose people aspire to rival those of the whole world in every field of enterprise, and whose Government is piedged to the interests of freedom, civilization, and progress; and at the same time to be prepared with reserved power and the

means of applying it, available in every emergency for defense and aggression.

The result has already been a large saving. Several of our most effective cruisers have consumed no coal for months. It can be shown by figures that this system of giving and requiring the general use of full sail power, besides its effect to make sailors of both efficers and men, will, on the vessels intended to be kept in commission (calculating that they cruise but two-thirds of the time), make, in the item of coal alone, as consumed under the old sys-tem, a saving of more than two millions of dollars

per annum.
Our monitors and iron-clads were also placed in the hands of the mechanics, and put in thorough repair. Four of the largest have gone into commission, as part of our available cruising force, and the rest are kept, at small expense, in complete order, so that the whole fleet can be ready for service in a

Of course so much work could not be done without considerable expenditure of money, but by close conomy, and a system of strict accountability, the sum of this expenditure has, up to the present time, been kept considerably below the amount of the ex-penses of the department for the same period of the

last year.
Since the 1st of March, 1869, no less than eighty (80) vessels of every class have been repaired or altered, or put in process of repair at the various navy yards, yet the books of the Treasury will show a decrease in the expenditures of the department for that time, as compared with the corresponding period of 1868, of three million five hundred and twenty-one thousand eight hundred and twenty-one thousand eight hundred and twenty-two dollars and ninety-two cents (\$1,521,822.92). The statement hereto annexed, entitled "Exhibit of expenditure." will show the ships repaired, and the penditure," will show the ships repaired, and the monthly expenditure of the department.

The Present Force and its Employment on the Various Stations.

The North Atlantic Squadron now consists of the Powhatan, Tuscarora, Severn, Albany, Nantasket, Nipsic, Seminole, Swalara, and the togs Speedwell and Standish, together with two heavy iron-clads, the Sangus and Dictator, twelve (12) vessels, including the sand mounting in all seventy six [76] ding tags, and mounting in all seventy-six (76) guns. It is commanded by Rear-Admiral Charles B. Poor,

who relieved Rear-Admiral Hoff on the 15th day of

who relieved Rear-Admiral Hoff on the 18th day of Sentember last.

The Pacific fleet, under command of Rear-Admiral Turner, with Commodore William Rodgers Taylor, and Commodore D. McDougal, commanding the respective squadrons, consists now of fourteen (14) yessels, the Kearsarge, Lackawanna, Gasipee, Mohincan, Resaca, Cyane, Jamestown, Saginaw, Dacofah, Saranae, Nyack, Onward, and the Guerriere (reliting), with the Pensacola as flagship, mounting in all one hundred and twenty nine guns. Of these the ten (10) last-named have been or are being thoroughly repaired and altered in the manner hereinbefore mentioned, and the fleet, though smaller in number, is already much more effective for the duties of that station.

The European Squadron, under command of Rear-Admiral Radford, has been reinforced by the Juniate and Supply, and the Sabine has been attached to it for the present; it consists now of these vessels, with the Richmond and Plymouth, and the Franklin as flag-ship—six (6) vessels, mounting one hundred and six (106) guns. This is, of course, but a small force for a station so conspicuous and important, but we have not been able turther to increase it. As soon as the resources of the department will permit, this squadron should be largely strengthened.

The Asiatic Squaifron consists of the Piscataqua (flag-ship), Oheida, Monocacy, Iroquois, Ashnelot, Unadilla, and Maumee; and the Benicia, Colorado, and Alaska are also fitting out for that station, making in all ten (10) ships, mounting seventy-two (72) guns. It is commanded by Hear-Admiral Stephen C. Rowan. I regret to say that three (3) of these ships have been condemned as entirely unseaworthy, unfit for cruising, except in rivers, and unsafe to be sent to the United States; and, as there is no opportunity of repairing them in those waters, the Admiral in command has recommended that they be sold on the station. The department has, therefore, directed that, when it shall be no longer possible to use them with safety, their armamnent and stores be removed

Home Defense.

But the subject of protection to our commerce and influence on foreign seas by no means comprehends all that the department feels called upon to represent in connection with the question of the size and

sent in connection with the question of the size and character of our pavy.

The matter of national defense is still more important, and comes home as closely to the interest and the pride of the whole people. Any comprehensive pian of a naval establishment must include some practical provision for the defense of the numerous scaports scattered along our coast, and the great rivers and bays, on whose shores are concentrated so much of the national and individual wealth.

wealth.

Our monitors have been already alluded to as a ready and effective means of harbor defense, and this they will doubtless be, to the extent and number of their capacity. But, unless completely and certainly invuinerable, they are comparatively useless, and we must therefore keep pace with the late improvements in ordnance. Most of them are capable of bearing the additional armor necessary to give the strength required, but this will, of course, require a new and considerable outlay.

Tornedo Corps.

pive the strength required, but this will, of course, require a new and considerable outlay.

Another comparatively inexpensive but most effective means of defense has not escaped the attention of the department. I refer to the submarine torpedo. The terrible destructive power of this instrument was shown during the late war. Since that time considerable attention has been given to this subject by officers of the navy, particularly by those stationed at the Naval Academy.

Shortly after my appointment as head of the department, a torpedo corps was established under the Bureau of Ordinance to make experiments, take charge of the apparatus, and perfect a system for the application of this means of defense to our coasts and harbors.

This is, of course, not a subject for public illustration, but enough experiments have already been made to show how valuable, as well as terrible, is this means of defense; and to convince all having knowledge of it that when it shall have been further perfected, and its use systematized, the torpedo will be one of the most effective weapons of marine warfare. To insure safety and success in their use under every condition requires a knowledge of the scientific principles applicable to their construction and use, with an intimate acquaintance with the localities to be defended. The torpedo corps has therefore been selected with care, and the experiments are conducted under the supervision of an officer of scientific ability. As soon as a torpedo is constructed, and the particular locality and manner of its use determined, it can be stowed away as an inexpensive but most effective weapon of war.

This means of defense, properly applied in conjunction with a system of harbor obstructions, backed by monitors, and supported by the forts and water batteries which command the narrow entrances to our principal haroors, would defy any power which could cross the ocean to attack them.

These localities have been the subject of careful inspection by both branches of the military service, and b

In the paper herewith transmitted, entitled "Plan of Naval Establishment in Time of Peace," will be found a detailed statement of what is believed to be the most economical and efficient organization of the force processory. the force necessary.

This force, there estimated as low as one-fiftieth

(1-50) of our mercantile marine, or at about one gun-boat of six hundred tons to sixty thousand tons of commerce, is less in the number of ships than that

which we now have.

Another point is the necessity of commencing at once to prepare our great fresh-water naval depot at that part of the Philadelphia station known as League Island. This is not only desirable in view of the present condition of the yard at Philadelphia, but is rendered necessary by the present char ler and further necessities of the navy.

Ships are, of course, better constructed and equipped at large establishments, possessing complete accommodations and facilities for the economical arrangement and application of material. cal arrangement and application of material.

The great defect in the situation of most of our yards is their want of land area and available water

front sufficient to do even their present work to advantage.

This is particularly the case with that portion of the naval station at Philadelphia where the work is now done. The water front of the present working ground is so small that four ships can hardly lie there without being in the way of each other. Build-ings and machinery of every description are cramped and crowded together, interfering with their proper use, causing great expense of both time and money, and, from the close proximity of workshops and inflammable material, exposing the whole to great risk. In case of dre nothing but the most favorable circumstances would prevent a general destruction of everything in the yard; and great vigilance is required and constant expense. quired and constant expense incurred to guard against a general conflagration of houses, ships, and

Moreover, this portion of the station is situated in the midst of a great city, stopping its growth in one direction and interfering with its improvement, and itself subjected to all the inconveniences incident to its position as an independent establishment in the midst of a municipality with adverse interests and

midst of a municipality with adverse interests and under different government.

Like difficulties have been felt at the Brooklyn yard, but those at Philadelphia are much greater. These inconveniences in the working of a station of such absolute importance as that of Philadelphia are most serious. They are great at all times and they will be more severely felt as fron comes, as must now be the case, to be more generally used as a material for naval construction. In view of the necessity of fresh water for their preservation, the Philadelphia station is, for the repair and ordinary of fron ships of every class, far the best, if not the only practical one on the Atlantic coast. Situated on a great fresh water river, one hundred and twenty miles, by its course, from the sea, in the heart of a populous country, at the great ventre of iron and coal, and with water sufficient for the draught of the largest ships, it presents at once every condition of convenience, economy, and defense,

condition of convenience, economy, and defense.

The only difficulty for the present and for the future is found in the size and situation of that part of the station which we are now, for want of legislative with the size and situation and the size and situation of the station which we are now, for want of legislative with the size of the working and the size of of the station which we are now, for want of legislative action, obliged to use as the working yard.

I should not feel authorized to speak so strongly on this subject were it not that we now actually own, as a part of the same general station, this island, of an area of six hundred (500) acres, between the lines of mean low tide, cut off by navigable water from the main land, with a water front on the Delaware alone of two and a half (234) statute miles, with a depth of water of thirty (30) feet, and with great natural facilities for basins and docks, enjoying all the advantages before enumerated, and subject to hone of the inconveniences experienced at that portion of the station now in active use.

This position was approved by the department

This position was approved by the department after close investigation by officers of every class; and the land itself, the gift of the city of Philadelphia, purchased by her at great expense as a measure of relief to herself and to the Government, was given and accepted with the idea of transferring to that point all the naval operations of the station. This, the department has been and is anxious to accomplish; but it needs an appropriation for the preparation of the new yard, and without this it cannot move.

this it cannot move.

In the meantime it would be foolish for the department, even if it felt authorized, to expend money on the permanent improvement of the present working yard at Philadelphia; and nothing can be done either in the rearrangement of buildings for the providing of the improved tools and machinery proper for the this it cannot move.

The annual expenses of this yard are, for these reasons and those before given, much increased; and it is not doubted that the savings from this source, and from the expense now incurred of maintaining